

GLOBAL ORIENTAL BERHAD
PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements of Global Oriental Berhad (“GOB” or “Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2016.

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2016, except for the compliance with the new/revised Financial Reporting Standards (“FRSs”) that are effective for the financial period beginning on or after 1 January 2016.

The adoption of the new/revised FRSs that came into effect during the current financial year is not expected to have any material impact on the financial statements of the Group.

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”). Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities. Transitioning Entities, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers are allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, MASB announced that Transitioning Entities which have chosen to continue with the FRS Framework are now required to adopt the MFRS Framework latest by 1 January 2017. The effective date of MFRS 15 was subsequently deferred to annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare its first set of MFRS financial statements for the year ending 31 March 2019 when the MFRS Framework is mandated by MASB.

The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

2. AUDITORS’ REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements of GOB for the financial year ended 31 March 2016 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 2016 was not affected by significant seasonal or cyclical fluctuations.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

5. CHANGES IN ESTIMATES

There were no changes in estimates during the quarter under review that had a material effect on the interim financial statements.

6. DEBT AND EQUITY SECURITIES

During the quarter under review, no ordinary shares were allotted to the employees of the Group as no ESOS options had been exercised. As at 30 June 2016, a total of 9,826,290 ESOS options to subscribe for ordinary shares of RM0.50 each remain unexercised.

There were no issuances, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

7. DIVIDENDS PAID

There were no dividends paid or declared during the quarter under review.

8. SEGMENTAL INFORMATION

a) Business Segments

Group	Property	Construction	Trading	Investment	Others	Elimination	Total
	development		and				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 3 Months Ended							
30 June 2016							
Revenue							
External sales	43,078	-	6,627	-	9,282	-	58,987
Inter-segment sales	-	15,968	-	-	-	(15,968)	-
	<u>43,078</u>	<u>15,968</u>	<u>6,627</u>	<u>-</u>	<u>9,282</u>	<u>(15,968)</u>	<u>58,987</u>
Results							
Segment results	(560)	609	1,104	1,135	(5,193)	(7,548)	(10,453)
Unallocated expenses:							
- Finance costs							(1,195)
- Share of results of joint venture							(41)
- Share of results of associate							(1,097)
Loss before tax							<u>(12,786)</u>
Taxation							<u>(952)</u>
Loss for the financial period							<u>(13,738)</u>

Group	Property	Construction	Trading	Investment	Others	Elimination	Total
	development		and				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 3 Months Ended							
30 June 2015							
Revenue							
External sales	209,477	-	7,633	-	6,915	-	224,025
Inter-segment sales	-	11,390	-	-	-	(11,390)	-
	<u>209,477</u>	<u>11,390</u>	<u>7,633</u>	<u>-</u>	<u>6,915</u>	<u>(11,390)</u>	<u>224,025</u>
Results							
Segment results	135,112	(7)	1,284	155	(4,440)	(19,719)	112,385
Unallocated expenses:							
- Finance costs							(1,240)
- Share of results of joint venture							(248)
Profit before tax							<u>110,897</u>
Taxation							<u>(31,769)</u>
Profit for the financial period							<u>79,128</u>

b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Revenue				
Malaysia	56,714	223,112	56,714	223,112
China	2,273	913	2,273	913
	58,987	224,025	58,987	224,025

9. CARRYING AMOUNT OF REVALUED ASSETS

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

There has been no change to the valuations of the property, plant and equipment since the audited financial statements for the year ended 31 March 2016.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review, except as follows:

- (a) On 27 May 2016, the Group accepted an offer to acquire 510 ordinary shares of RM1.00 each, representing 51% equity interest in Sering Manis Sdn Bhd ("SMSB") from an independent third party for a cash consideration of RM510.00. Upon the completion of the acquisition, SMSB became a 51% owned subsidiary company of the Group.
- (b) On 1 June 2016, Proactive Venture Sdn Bhd, a wholly-owned subsidiary company of the Company increased its issued and paid-up capital from RM2.00 to RM10,000.00 by way of issuance and allotment of 9,998 new ordinary shares of RM1.00 each at par which were fully subscribed by Versatile Flagship Sdn Bhd, a wholly-owned subsidiary company of the Company and Grit and Grounds Sdn Bhd, an independent third party by way of cash.

12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at the date of this report, there were no material contingent liabilities except as follows:

Corporate guarantee amounting to RM123.0 million given by our Company to financial institutions for credit facilities granted to our subsidiaries.

13. CAPITAL COMMITMENTS

The amount of commitments not provided for as at the date of this report is as follows:

(a) Non-cancellable operating lease commitments

The Group has commitment in respect of rental of premises as follows:

	RM'000
Future minimum rentals payable:	
- Not later than 1 year	9,758
- More than 1 year and within 2 years	10,046
- More than 2 years and within 5 years	2,691
	<u>22,495</u>

The Group has entered into non-cancellable operating lease agreements which represent rental payable for the use of premises.

(b) Other commitments

Approved but not contracted for:

	RM'000
- Development Agreement for proposed development of land in Kuala Lumpur	247,250
- Development Agreement for proposed development of land in Perak	23,592
	<u>270,842</u>

PART B – EXPLANATORY NOTES PURSUANT TO THE REVISED LISTING REQUIREMENTS OF BURSA SECURITIES

1. REVIEW OF PERFORMANCE

The Group recorded a revenue and pre-tax loss of RM59.0 million and RM12.8 million respectively as compared to revenue and pre-tax profit of RM224.0 million and RM110.9 million respectively in the preceding year corresponding quarter. The unfavourable performance was mainly due to lower progressive recognition from development projects in Seri Kembangan and USJ, Subang Jaya. The preceding year's corresponding quarter includes contribution from a one-off sale of land in Seri Kembangan.

The Group's revenue decreased to RM59.0 million for the current quarter as compared to RM528.2 million for the immediate preceding quarter. The decrease in revenue was mainly due to the completion of da:men project except service apartments, in the current quarter. The Group incurred a pre-tax loss of RM12.8 million for the current quarter as compared to a pre-tax profit of RM5.2 million for the immediate preceding quarter. The loss was mainly due to lower progressive recognition from development projects.

2. COMMENTARY ON PROSPECTS

As reported by Bank Negara Malaysia, the Malaysian economy recorded a lower growth of 4.0% in the second quarter of 2016 as compared to 4.2% of the previous quarter. Domestic demand remained the main driver of growth but hampered by the continued drop in net exports.

On the backdrop of decelerating growth in the local economy, the overall property industry remains challenging with subdued consumer sentiments. With these challenges ahead, the Group continue to rationalise the Group's investments and exercise prudence over projects development and upcoming launches and also business operations for the remainder of the financial year.

3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the financial year under review.

4. TAXATION

	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
Current period taxation	(1,214)	(3,886)	(1,214)	(3,886)
Deferred taxation	262	(27,883)	262	(27,883)
	(952)	(31,769)	(952)	(31,769)

The effective tax rate is not reflective of the statutory tax rate principally due to the restriction in the group relief available in respect of losses incurred by certain subsidiary companies and expenses which were not deductible for tax purposes.

5. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report, except as follows:

- (a) On 11 August 2015, the Group announced that Pertanian Taman Equine Sdn Bhd, a wholly-owned subsidiary of GOB had entered into a conditional sale and purchase agreement with Kemaris Residences Sdn Bhd for the disposal of a parcel of leasehold land located in Mukim Petaling, Daerah Petaling, Selangor measuring approximately 19.24 acres, for a cash consideration of RM43.30 million.

The disposal is expected to be completed upon full and final settlement of the balance purchase price.

- (b) On 6 June 2016, SMSB, a 51% owned subsidiary company of the GOB entered into a sale and purchase agreement with an independent third party to acquire a parcel of freehold land located in Mukim Bentong, Daerah Bentong, Pahang Darul Makmur measuring in total approximately 279.86 acres, for a cash consideration of RM170.67 million.

The acquisition is pending fulfillment of conditions precedent.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.06.2016 RM'000	As at 31.03.2016 RM'000
Short term borrowings:		
Bank borrowings	60,442	69,084
Hire-purchase creditors	335	405
Bank overdrafts	2,797	4,976
	<u>63,574</u>	<u>74,465</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	44,763	50,917
Hire-purchase creditors	1,061	524
	<u>46,785</u>	<u>52,402</u>

All borrowings are denominated in Ringgit Malaysia and are fully secured.

7. CHANGES IN MATERIAL LITIGATION

The Company and its subsidiary companies are not engaged, either as plaintiff or defendant, in any litigation which has a material effect since the date of the last annual statement of financial position to the date of this report. The Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and/or adversely affect the position or business of the Group.

8. DIVIDEND

No dividend has been proposed or declared for the current quarter.

9. EARNINGS PER SHARE

a) Basic

The basic earnings per share is calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares in issue during the financial period.

	Current Year Quarter 30.06.2016	Preceding Year Corresponding Quarter 30.06.2015	Current Year To Date 30.06.2016	Preceding Year To Date 30.06.2015
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(13,737)	78,800	(13,737)	78,800
Number of ordinary shares in issue ('000)	454,676	454,676	454,676	454,676
Basic earnings per share (sen)	(3.02)	17.33	(3.02)	17.33

b) Diluted

ESOS granted and warrants are excluded from the diluted earnings per share calculation because their effects are anti-dilutive.

10. PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Current Year Quarter 30.06.2016 RM'000	Preceding Year Corresponding Quarter 30.06.2015 RM'000	Current Year To Date 30.06.2016 RM'000	Preceding Year To Date 30.06.2015 RM'000
After Charging:				
Interest expenses	1,195	1,240	1,195	1,240
Depreciation and amortization	1,654	1,027	1,654	1,027
Property, plant and equipment written off	115	47	115	47
Share of result of joint ventures	41	248	41	248
Share of result of associated company	1,097	-	1,097	-
Provision for liquidated and ascertained damages	-	5,221	-	5,221
Impairment of goodwill	33	-	33	-
After Crediting				
Interest income	1,708	605	1,708	605
Gain on disposal of a subsidiary company	668	-	668	-
Reversal of impairment loss of	402	-	402	-

property, plant and equipment

There were no provision for write off of receivables, provision for write off of inventories, gain or loss on disposal of quoted or unquoted investment, foreign exchange gain or loss, gain or loss on derivatives and exceptional items for the current quarter under review.

11. DISCLOSURE ON REALISED AND UNREALISED PROFITS

	As at 30.06.2016 RM'000	As at 31.03.2016 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	173,428	128,533
– Unrealised	47,876	60,793
	<hr/> 221,304	<hr/> 189,326
Less: Consolidation adjustments	(116,204)	(70,605)
Total Group retained earnings as per statements of financial position	<hr/> 105,100	<hr/> 118,721

12. AUTHORISATION FOR ISSUE

These interim financial statements have been authorised by the Board of Directors for issuance in accordance with a resolution of the Directors duly passed at the Board of Directors' Meeting held on 24 August 2016.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
24 August 2016